GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:346
ANSWERED ON:07.09.2007
LIBERALISED REMITTANCE SCHEME
Mane Smt. Nivedita;Vallabhbhaneni Shri Balashowry

Will the Minister of FINANCE be pleased to state:

(a) whether under the provisions of the Liberalised Remittance Scheme (LRS), the Reserve Bank of India (RBI) has now allowed Indian residents to open foreign currency bank accounts in banks located outside the country without any approval;

(b) if so, the reasons and details thereof;

(c) the salient features of the scheme;

(d) the amount that can be transferred by a resident in one financial year;

(e) whether such amount deposited outside country can be utilized for mutual fund and venture fund; and

(f) if so, the details thereof?

Answer

MINISTER OF FINANCE (SHRI P. CHIDAMBARAM)

(a) to (f) A statement is placed on the Table of the House.

Statement referred to in reply to parts (a) to (f) of the Lok Sabha Starred Question No. 346 regarding `Liberalised Remittance Scheme` raised by Shri Balashowry Vallabhaneni, MP and Shrimati Nivedita Mane, MP to be answered on 7th September, 2007.

(a) Yes, Sir.

(b) to (d) As a step towards further simplification and liberalization of the foreign exchange facilities available to the residents, the Liberalised Remittance Scheme (LRS) of USD 25,000 per calendar year for resident individuals was introduced on February 4, 2004. Subsequently, the limit of USD 25,000 per calendar year was enhanced to USD 50,000 per financial year in December 2006. Further, in May 2007, the limit of USD 50,000 was enhanced to USD 100,000 per financial year.

All resident individuals are eligible to avail of this facility under the Scheme. However, the facility is not available to corporates, partnership firms, HUF, Trusts etc. The facility is available for making remittances for any permitted current or capital account transactions or combination of both, without prior approval of the Reserve Bank. As per the Scheme, resident individuals are free to acquire and hold immovable property or shares or any other asset outside India. Individuals are also allowed to open, maintain and hold foreign currency accounts with a bank outside India for making remittances under the Scheme without prior approval of the Reserve Bank. This facility is in addition to the facility already available for private travel, business travel, studies, medical treatment etc. However, the separate facilities earlier available to resident individuals for remittances towards gift, donations and investment in overseas companies have been subsumed under the enhanced limit of USD 100,000.

The remittance for transactions which are otherwise not permissible under FEMA and those in the nature of remittance for margins or margin calls to overseas exchanges / overseas counterparty are not permitted under the scheme.

(e) & (f) Yes, Sir. A resident individual can invest in units of Mutual Funds, Venture Funds, unrated debt securities, promissory notes, etc. under this Scheme.